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PURCHASE AGREEMENT

2008 MAY -1 P 2:23
THIS PURCHASE AGREEMENT ("Agreement") is entered into as of the 21st day of March, 2008, between Hatch Valley Water Company, an Arizona nonprofit corporation ("Company") and Hatch Valley Domestic Water Improvement District ("District"), a political subdivision of the State of Arizona.

RECITALS

- A. Currently, Company provides potable water to the Truxton community.
- B. Landowners and customers in the Truxton community petitioned the Mohave County Board of Supervisors to form the District with the intent that the District would assume water service currently provided by the Company.
- C. Company desires to sell, and District desires to purchase, the assets of the Company under the terms set forth in this Agreement.

Arizona Corporation Commission

DOCKETED

AGREEMENT

MAY -1 2008

Company and District ("Parties") agree as follows:

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1.0 Purchase and Sale of Assets

1.1 Assets To Be Acquired. Subject to the terms herein, Company agrees to convey to District, and District agrees to accept from Company, all of Company's right, title and interest in and to all of the assets owned or controlled by Company ("Assets") set forth in Exhibit 1.

1.2 Excluded Assets. Company shall not transfer to the District Company's charter documents and original corporate records.

1.3 Assumed Liabilities. District shall assume, perform, and in due course discharge the Company's obligations, liabilities, mortgages, pledges, hypothecations, assignments, monetary encumbrances, judgments, claims, charges, liens or security interests ("Assumed Liabilities") set forth in Exhibit 2.

1.3.1 Exhibit 2 will be amended as of the Closing Date to include all meter advance credits, all main extension agreements, and all customer deposits as Assumed Liabilities.

1.4 Excluded Liabilities. District shall assume or become liable for only those Company obligations, liabilities or indebtedness expressly assumed in Exhibit 2. District is not liable for any claim, damage, injury, loss, or cost related to the quantity or quality of water delivered by Company to any person or property prior to Closing.

1.5 Governmental Approvals; Conditions to Closing. Promptly after the execution of this Agreement, Company shall commence a proceeding before the Arizona Corporation Commission ("ACC") requesting termination or relinquishment of its certificate of convenience and necessity ("CC&N"). Company shall diligently pursue the proceeding until it obtains a final, non-appealable order of the ACC terminating or relinquishing its CC&N. District shall reasonably cooperate with Company in the proceeding. Company shall cooperate with District to obtain any necessary approvals from any other governmental authority whose approval may be necessary to transfer the Assets to the District. Termination of Company's CC&N and the securing of any other necessary approvals by District shall be conditions to District's obligation to close this transaction.

2.0 Closing and Payment

2.1 Closing. The closing ("Closing") will take place no later than ten (10) days after all regulatory approvals are satisfied, or such other date agreed to in writing by District and Company ("Closing Date").

2.2 Payment. District will pay to Company a purchase price of \$10.00, payable in cash or cash equivalent at Closing.

2.3 Transfer of Title. At the Closing, title to, possession of, and risk of loss of all of the Assets shall pass to District. Company has all risk of loss prior to Closing.

3.0 Representations and Warranties of Company.

3.1 Company Authorization. Company represents:

3.1.1 Company has the authority to enter into and perform this Agreement and to consummate the transactions contemplated hereby;

3.1.2 Company has properly authorized the execution and performance of this Agreement;

3.1.3 This Agreement is a valid and binding Company obligation; and

3.1.4 ACC approval is the only approval of any third party necessary or required to transfer the Assets to District.

3.1.5 Company is not obligated to pay any fee to any broker or other intermediary in connection with the transactions contemplated by this Agreement.

3.2 Title and Condition of Assets. At Closing, Company will convey good and marketable title to each of the Assets to District.

3.3 Condition of Assets. Company shall make any necessary repairs of Assets by the Closing. The Parties shall inspect the Assets within the ten (10) day period prior to the Closing Date to identify any final repairs and replacements to be performed by Company.

3.4 Litigation; Disputes. To the best of Company's knowledge, there are no claims, disputes, actions, suits, investigations or proceedings pending or threatened against or affecting Company or the Assets, and there is no basis for any such claim, dispute, action, suit, investigation or proceeding.

3.5 Compliance with Applicable Law. To the best of Company's knowledge, Company is in full compliance with applicable federal, state and local laws (including common law), permits, judgments, orders, or decrees, including without limitation any of the foregoing relating in any manner to safe drinking water, the protection of human health or the environment, public health and safety, or employee health and safety.

4.0 Representations and Warranties of District.

4.1 District Authorization. District represents:

4.1.1 District has the authority to enter into and perform this Agreement and to consummate the transactions contemplated hereby;

4.1.2 District has properly authorized the execution and performance of this Agreement;

4.1.3 This Agreement is a valid and binding District obligation; and

4.1.4 District is not obligated to pay any fee or commission to any broker or other intermediary in connection with the transactions contemplated by this Agreement.

5.0 Covenants.

5.1 Administration of Receivables. The Parties shall read all customer meters and agree upon all meter readings on the Closing Date. After the Closing, Company and District shall cooperate with respect to payments made in the ordinary course by any third party so that Company and District each receive the third party payments appropriately payable to them under this Agreement.

5.2 Tax and Other Matters. Company shall pay all taxes and costs relating to the Assets for the period up to and including the Closing Date and District shall pay any applicable taxes and costs relating to the Assets for the period after the Closing Date.

5.3 Further Assurances. From time to time after the Closing, Company will, at its own expense, execute and deliver such documents to District as District may reasonably request, and District will, at its own expense, execute and deliver such documents to Company as Company may reasonably request, in order to more effectively consummate the transactions contemplated by this Agreement.

6.0 Escrow, Title Policy and Buyer Investigation

6.1 District's Investigation Contingency. District shall have the right to investigate and inspect the Assets and otherwise satisfy itself that the Assets are satisfactory and suitable for its intended use. In the event that District, in its sole discretion, is unsatisfied with any such matter, District may cancel this Agreement by giving written notice of cancellation, and this Agreement shall terminate without further obligation or liability by either Party hereto. District agrees to indemnify and hold harmless Company for, from and against any and all injury, loss, cost, liability or expense to person or property arising out of District's exercise of the rights granted by this paragraph.

6.2 Title Policy. At its expense and its sole option, Company may provide District with a standard coverage owner's policy of title insurance (or an unconditional commitment of the Title Insurer to issue such policy) issued by ("Title Insurer"), in the full amount of the sales price of the Real Property, insuring District that fee simple title to the Property is vested in District, subject only to the usual printed exceptions and exclusions contained in such title insurance policies, to the matters shown on the Title Report or any Amended Report approved or deemed approved by District, and to any other matters approved in writing by District.

6.3 Closing Costs. All Closing costs payable shall be paid by the Company.

6.4 Certification as to "Non-Foreign" Status. At the Closing, Company certify that Company is not a nonresident alien, foreign corporation, foreign partnership, foreign trust, foreign estate, or other foreign person within the meaning of Sections 1445 and 7701 of the Internal Revenue Code of 1986 and the Treasury Regulations hereunder.

7.0 Closing Requirements.

7.1 Company Deliveries. At Closing, Company shall deliver to District Company's fully executed:

7.1.1 General warranty deed or a quit claim with respect to the Real Property ("Deed") as requested by the District;

7.1.2 Title policy required by this Agreement;

7.1.3 Non-Foreign Affidavit required by this Agreement;

7.1.4 Bill of Sale with respect to the non-realty Assets in substantially the form attached hereto as Exhibit 3;

7.1.5 All other documents contemplated by this Agreement to be executed and delivered by Company;

7.1.6 All customer deposits and meter advance credits; and

7.1.7 A current list of all customers' names and addresses.

7.2 District Deliveries. At Closing, District shall deposit into Escrow for delivery to Company cash or cash equivalent in an amount equal to \$10.00.

8.0 Indemnification.

8.1 Survival of Representations and Warranties, Covenants and Indemnities. All representations and warranties and each covenant and indemnification provision contained herein, or in any Exhibit hereto, shall survive Closing and remain in full force and effect in accordance with its terms. Each indemnification provision contained herein shall survive any cancellation or termination of this Agreement.

8.2 Indemnification by Company. Company shall indemnify, defend and hold District harmless for, from and against all losses, damages, injuries, liabilities, claims, penalties, costs and expenses of any nature whatsoever (including costs of investigations, suits, other proceedings, and reasonable attorneys' and others fees in connection therewith) ("Losses") resulting from:

8.2.1 Any inaccuracy, misrepresentation, breach, nonfulfillment of any Company representation contained in this Agreement;

8.2.2 Any liability not expressly assumed by District in Exhibit 2; and

8.2.3 The use, ownership, or operation of the Assets prior to the Closing.

8.3 Indemnification By District. After the Closing Date, District shall indemnify, defend and hold Company harmless for, from and against any and all Losses resulting from, any and all Assumed Liabilities and the use, ownership, or operation of the Assets after the Closing.

9.0 Miscellaneous.

9.1 Expenses. Except as otherwise provided in this Agreement, each of the respective Parties to this Agreement shall pay their own costs and expenses relating to this Agreement, the negotiations leading up to this Agreement, and the transactions contemplated by this Agreement.

9.2 Amendment. This Agreement shall not be amended or modified except by a writing duly executed by Company and District.

9.3 Entire Agreement. This Agreement contains all of the agreements of the Parties with respect to the subject matter herein and supersedes all prior agreements and negotiations.

9.4 Notices. All notices regarding this Agreement shall be in writing and shall be given by either (a) personal delivery, (b) prepaid certified mail, (c) facsimile transmission, or (d) email as set forth below:

If to District:

If to Company:

Hatch Valley DWID
~~HC 25 Box 211~~
P.O. Box 271
Peach Springs, Arizona 86434

Hatch Valley Water Company
~~HC 25 Box 211~~ P.O. Box 271
Peach Springs, Arizona 86434

Such addresses may be changed, from time to time, by means of a notice given in the manner provided herein.

9.5 Severability. If any provision of this Agreement is held to be invalid or unenforceable, then the remainder of this Agreement shall not be affected thereby, and each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

9.6 Limits on Remedies. Company's sole remedy in the event of any breach of this Agreement by District shall be to cancel this Agreement by written notice to District, in which event neither Party has any further liability or obligation to the other party related to this Agreement. District's sole remedy in the event of any breach of this Agreement by Company shall be to cancel this Agreement by written notice to Company.

9.7 Waiver. Waiver of any provision of this Agreement by either of the Parties shall only be effective if in writing and shall not be construed as a waiver of any other provision.

9.8 Assignment. No party to this Agreement may assign its rights or obligations under this Agreement without the prior written consent of the other Party, which it may withhold in its absolute discretion. Except as limited in the proceeding sentence, this Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, personal representatives, successors and assigns.

9.9 Counterparts. This Agreement may be signed in any number of counterparts, and all such counterparts together shall be deemed an original of this Agreement.

9.10 Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona.

9.11 Construction. The headings used herein are for the purposes of convenience only and shall not be read or interpreted as having any meaning or effect. Exhibits referred to herein are hereby incorporated into and made part of this Agreement. In interpreting any provision of this Agreement no presumption shall be drawn against the Party drafting the provision.

9.12 Attorneys' Fees. In the event of any action arising out of this Agreement, the prevailing Party shall be entitled to recover its costs, expenses and reasonable attorney's fees incurred in connection with the dispute from the other party.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date and year first above written.

District

Company

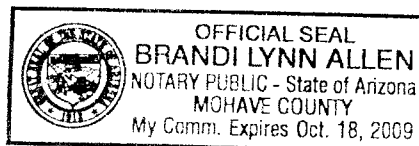
By: Richard L. Schneider

Its: President

By: Richard L. Schneider

Its: President

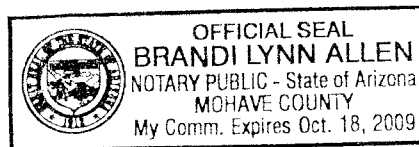
STATE OF Arizona)
) ss.
County of Mohave)



The foregoing instrument was acknowledged before me on March 21, 2008 by Richard L. Schneider President of Hatch Valley Water Company

My Commission expires: Oct. 18, 2009 Brandi Lynn Allen

STATE OF Arizona)
) ss.
County of Mohave)



The foregoing instrument was acknowledged before me on March 21, 2008 by Richard L. Schneider President of Hatch Valley Domestic Water Improvement District

My Commission expires: Oct. 18, 2009 Brandi Lynn Allen

EXHIBIT 1

Company Assets Being Conveyed to District

All Company wells, well equipment, casings, storage tanks, pipelines, pumps, valves, equipment, tools, repair and replacement parts, inventories, materials, supplies, spare parts, and other tangible assets.

All Company operational, maintenance and technical data and information, and intangible assets related to the Assets.

All Company specifications, plans, drawings, and water quality data.

All Company customer lists, financial, and other books and records related to the Assets, and all customer deposits, other deposits, prepaid items and refunds.

All Company rights pursuant to warranties, representations, guarantees and service contacts made by suppliers, manufacturers and contractors in connection with the Assets.

All Company real property together with all improvements thereon.

All Company cash and cash equivalents held by or for Company as of the Closing Date.

Copies of Company records that District requests.

EXHIBIT 2

Assumed Liabilities

EXHIBIT 3

Bill of Sale

BILL OF SALE

HATCH VALLEY WATER COMPANY, an Arizona non-profit Corporation ("Seller"), for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby transfer, convey, sell, assign and deliver unto HATCH VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT, a political subdivision of the State of Arizona, ("Buyer"), all of Seller's right, title and interest in and to the personal property described on Exhibit A hereto (the "Assets"):

SELLER WARRANTS THAT THE ASSETS ARE DELIVERED FREE AND CLEAR OF ANY LIENS, CLAIMS OR OTHER ENCUMBRANCES EXCEPT THOSE PREVIOUSLY DISCLOSED IN WRITING TO THE BUYER.

SELLER expressly disclaims any and all warranties, including any warranty concerning whether the goods are MERCHANTABILITY or fit for any particular purpose.

SELLER covenants to Buyer that it has good right to sell the Assets and that it will warrant and defend the title thereto against the lawful claims and demands of all persons claiming by, through or under Seller.

Executed effective for all purposes, as of the 21st day of March, 2008

HATCH VALLEY WATER COMPANY, an
Arizona non-profit corporation

By: Richard Y. Schneider
Richard Schneider
President

ATTEST:

Title

Exhibit A
To Bill of Sale

Schedule of Personal Property (Assets)

The assets include but are not limited to all furniture, fixtures, equipment, machinery, tools, supplies, inventory, keys, combinations to locks, goodwill, books, records, accounts, receivables, trade name, trademark, bank accounts, trust accounts, deposits prepaid expenses and other tangible and intangible personal property owned by the Seller and used at or in connection with the use, operation and/or maintenance of the water company defined in the Bill of Sale dated

March 21, 2008.

- One well, no. 08-014, with 7 ½ horsepower pump and 2-inch casing.
- Three ¾ horsepower booster pumps.
- One 20,000 gallon capacity storage tank.
- One 10,000 gallon capacity pressure tank.
- One 5,000 gallon capacity pressure tank.
- 2" PVC mains approximately 4,680 feet in length.
- 3" galvanized mains approximately 6,750 feet in length.
- 4" PVC mains approximately 4,232 feet in length.
- 5" PVC mains approximately 3,415 feet in length.
- Seventy 5/8 x ¾" customer meters.
- One structure - railroad tie building.